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**PART-II EXTRAORDINARY**

## NSE IFSC LIMITED

## RULES

## ARRANGEMENT OF CHAPTERS



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## I. Interpretation

(1) All defined terms in these Rules, unless specifically defined herein, shall have the meaning as ascribed to it in the Bye Laws issued by the Exchange.

(2) Words and expressions which are used in these Rules, but which are not defined in the Bye Laws or herein shall, unless the context otherwise requires, have the same meaning as assigned thereto in the Securities Laws or Regulations of the Exchange and circulars issued thereunder.

(3) For the avoidance of doubt, in the event of any conflict, inconsistency or ambiguity between the provisions of these Rules and the provisions contained in any applicable laws including Securities Laws or Bye Laws of the Exchange, then in such event, the provisions under the applicable laws including Securities Laws and Bye Laws of the Exchange shall prevail.

## II. BOARD

(1) The composition of the Board of Directors ("Board") of the Exchange and, the terms and conditions of the appointment, extension and removal of Directors shall be as per the Securities Laws and other applicable laws.

(2) The Board, constituted in accordance with the provisions of the Articles of Association of the Exchange, may organise, maintain, control, manage, regulate and facilitate the operations of the Exchange and of the Exchange Products transactions by broker dealers of the Exchange, subject to the provisions of the Securities Laws.

(3) Subject to the provisions of the Securities Laws, the Board is empowered to make or amend the Bye Laws, Rules and Regulations from time to time, for (a) all or any matters relating to the conduct of business of the Exchange, the business and transactions between broker dealers inter-se as well as broker dealers and persons who are not broker dealers, and (b) to control, define and regulate all such transactions and dealings and to do such acts and things which are necessary for the purposes of the Exchange.

(4) Directors of Exchange shall be appointed in accordance with the provisions of the Articles of Association of the Exchange as amended from time to time and in particular, provisions of Articles 116, 116A, 117, 118(A), 118(AA), 118(B), 119, 120 thereof. Any such appointment of directors shall be considered as one being made under the provisions of these Rules.

(5) Without prejudice to the generality of the foregoing, the Board is empowered to make Regulations, subject to the provisions of the Securities Laws made thereunder, for all or any of the following matters :

(a) Conditions for admission to membership of the Exchange;

(b) Conduct of business of the Exchange;

(c) Conduct of broker dealers with regard to the business of the Exchange;

(d) Penalties for disobedience or contravention of the Bye Laws, Rules and Regulations of the Exchange or of general discipline of the Exchange, including expulsion or suspension of the broker dealers;

(e) Declaration of any broker dealer as a defaulter or suspension or expulsion from broker dealership of the Exchange and consequences thereof;

(f) Conditions, levy for admission or subscription for admission or continuance of broker dealership of the Exchange;

(g) Charges payable by the broker dealers for transactions in such Exchange Products as may be laid down from time to time;

(h) Investigation of the financial condition, business conduct and dealings of the broker dealers;

(i) Appointment of Committee(s); and

(j) Such other matters in relation to the Exchange as may be prescribed under the provisions of the Articles of Association, Bye Laws or these Rules or as may be necessary or expedient for the organisation, maintenance, control, management, regulation and facilitation of the operations of the Exchange.

(6) Subject to the Securities Laws or any other applicable laws, the Board is empowered to delegate, from time to time, to such Committee(s) or to any person(s), such of the powers vested in it and upon such terms as they may think fit, to manage all or any of the affairs of the Exchange and from time to time, to revoke, withdraw, alter or vary all or any of such powers.

(7) Subject to the Securities Laws or as specified by the Regulator, the Board may, from time to time, constitute one or more Committees comprising of members of the Board or any other Committees as the Board may, in its discretion deem fit or necessary. The Board may delegate to the Committees such powers as the Board may deem fit and may also revoke or amend such delegation from time to time.:

(8) The Board shall have the authority to issue directives from time to time to the Committee(s) or any other person(s) to whom any powers have been delegated by the Board. Such directives issued in exercise of this power, which may be of policy nature or may include directives to dispose of a particular matter or issue, shall be binding on the concerned Committee(s) or person(s).

(9) Subject to the provisions of the Securities Laws, the Board is empowered to vary, amend, repeal or make additions to the Bye Laws, Rules and Regulations framed by it.

(10) No person shall be eligible to be appointed as director unless he is a fit and proper person as per the provisions of Securities Laws.

(11) The Members of the Board and of such Committees as may be identified by the relevant Committee shall adhere to the Code of Conduct as may be prescribed by the Board or under the Securities Laws.

## III. COMMITTEE

### (1) CONSTITUTION

One or more Committee(s) may be appointed by the Board for the purposes of managing the day-to-day affairs of the Exchange or for specific matter/purpose as prescribed by the Relevant Authority from time to time. The Board may decide on the constitution, duration, powers of the Committee(s), nomination and vacation of the nominees from the Committee(s), appointment and tenure of office bearers and the rules and procedures for the functioning of the Committee(s) in accordance with the Securities Laws or directives / instructions / decisions issued by the Board from time to time.

All such Committees shall function/ operate in accordance with the provisions under the Securities Laws or directives / instructions / decisions issued by the Board from time to time and the Rules stated hereinafter or in accordance with the Articles of Association of the Exchange.

### (2) POWERS OF COMMITTEE(S)

(a) The Board may delegate from time to time to the Committee(s) such powers vested in them and upon such terms as they may think fit, to manage all or any of the affairs of the Exchange and from time to time, revoke, withdraw, alter all or any of such powers.

(b) The Committee(s) shall be bound and obliged to carry out and implement any directives issued by the Board from time to time and shall be bound to comply with all conditions of delegation and limitations on the powers of the Committee(s) as may be prescribed.

(c) A Committee so constituted may constitute, subject to the terms and conditions of its constitution, such sub-committees for such purposes as it may deem fit. The constitution, powers and responsibilities of such sub-committee(s) may be determined by the Committee which constitutes such sub-committee(s).

(d) Subject to Securities Laws or any other applicable laws, the Committee may from time to time, authorise any person(s) to carry out such acts, deeds and functions in accordance with such provisions as may be laid down in this regard for fulfilling the responsibilities and discharging the powers delegated to it by the Board.

### (3) DISQUALIFICATION OF MEMBER OF THE COMMITTEE

No person shall be eligible to be a member of a Committee(s), if he suffers any disqualification as provided in the Articles of Association of Exchange or as specified by the Relevant Authority or Securities Laws, or if such person ceases to be a broker dealer of the Exchange. A member of the Committee shall, ipso facto, be deemed to have vacated the office, if he suffers any such disqualification, provided, that nothing done in good faith by such person in his capacity as a member of such Committee shall be rendered invalid merely because such act, deed, matter or thing may have been done by him subsequent to his disqualification but without knowledge of his disqualification.

### (4) MEETINGS OF THE COMMITTEE

(a) A Committee may meet for transaction of business. It may also adjourn and regulate its meetings and proceedings as it deems fit and may determine the quorum necessary for the transaction of business.

(b) Subject to the Securities Laws or any other applicable laws, the quorum for a meeting of the Committee, shall be one-third of the total strength of the Committee, unless any higher quorum is specified by the appointing authority. If a fraction appears when determining the quorum such fraction shall be omitted.

(c) The chairman of the Committee or any employee of the Exchange under the authority of the chairman may at any time convene a meeting of such Committee.

(d) Decisions at any meeting of the Committees shall be taken by a majority of the members. Every member of the Committee shall have only one vote except that in the case of an equality of votes, the chairman of the Committee who presides over the meeting shall have a second or casting vote.

(e) At all meetings of the Committee, the chairman shall ordinarily preside and in his absence, the members of the Committee present may choose one from among themselves to be the chairman of such meeting in accordance with the manner prescribed, if any, by the Relevant Authority. A member of the Committee shall disclose his/her interest in the business, if any, before the meeting and shall abstain from discussions, voting and decisions on the said matter. If the chairman is interested in the business of the meeting, he shall abstain from attending the meeting.

(f) No vote by proxy shall be allowed either on a show of hands or on a poll in respect of any matter.

**(5) Chairman**

(a) The members of the Committee may elect a chairman from amongst themselves, who shall be the chairman of the Committee in accordance with Securities Laws, or any directives/regulations issued by the Regulator, if any.

(b) The chairman may assume and exercise all such powers and perform all such duties as may be delegated to him by the Committee from time to time.

(c) The chairman, and in his absence, a person elected by the Committee, shall be entitled to exercise any or all of the powers exercisable by the Committee whenever he/it is of the opinion that immediate action is necessary, subject to such action being confirmed by the Committee.

(d) The Committee, at its meeting at which a quorum is present as per the applicable laws and Articles of Association of Exchange, shall be competent to exercise all or any of the powers and discharge all such functions as are vested in or exercisable by such Committee.

## IV. BROKER DEALERSHIP

(1) The rights and privileges of a broker dealer shall be subject to the Securities Laws, Bye Laws, Rules and Regulations of the Exchange.

(2) All broker dealers of the Exchange shall have to register themselves prior to commencing operations on the Exchange, with the Regulator.

**Eligibility**

(3) The following persons shall be eligible to become broker dealers of the Exchange:

(a) any entity as permitted under the Securities Laws; or

(b) any other entity as may be permitted by the Regulator from time to time.

(4) No person shall be eligible to be admitted to the broker dealership of the Exchange unless the person satisfies:

(a) requirements prescribed in that behalf under the Securities Laws; and

(b) such additional eligibility criteria as the Relevant Authority may prescribe from time to time.

**Admission**

(5) Any entity is desirous of becoming a broker dealer shall apply to the Exchange for admission to the broker dealership of the Exchange in compliance with the Securities Laws and as per the provisions contained in these Rules. Every application shall be dealt by the Relevant Authority who shall be entitled to admit or reject such applications at its discretion.

(6) The applicant shall meet all the requirements stipulated under the Securities Laws.

(7) The application shall be made in such formats as may be specified by the Relevant Authority from time to time for the application of admission of broker dealers.

(8) The application shall have to be submitted along with such fees, security deposit and other monies in such form and in such manner as may be specified by the Relevant Authority from time to time.

(9) The applicant shall have to furnish any such declarations and/or documents as may be specified by the Relevant Authority from time to time.

(10) The Relevant Authority shall have the right to call upon the applicant to pay such fees or deposit such additional security in cash or kind, to furnish any additional guarantee or to require the deposit of any building fund, computerisation fund, training fund or fee as the Relevant Authority may prescribe from time to time.

(11) The Relevant Authority may admit the applicant to the broker dealership of the Exchange provided that the applicant satisfies the eligibility conditions and other procedures and requirements of admission. The Relevant Authority may at its absolute discretion reject any application for admission without communicating the reasons thereof.

(12) If for any reason the application for admission to the broker dealership is rejected, the application fee if any, or part thereof as may be decided by the Relevant Authority, may be dealt with in such manner as the Relevant

(13) Authority deems fit including forfeiture thereof.

(14) The Relevant Authority may at any time from the date of admission to the broker dealership of the Exchange cancel the admission and expel a broker dealer if it has in or at the time of its application for admission to membership or during the course of the inquiry made by the Relevant Authority preceding its admission:

(a) made any willful misrepresentation; or

(b) suppressed any material information required of it as to its character and antecedents; or

(c) has directly or indirectly given false particulars or information or made a false declaration.

(15) When an applicant is admitted to the broker dealership of the Exchange, intimation of the applicant's admission shall be sent to the applicant and to the Regulator. If the applicant admitted to the broker dealership of the Exchange and after intimation of its admission is duly sent, does not become a broker dealer by complying with the acts and procedures for exercising the privileges of broker dealership as may be prescribed by the Relevant Authority within a specified time period from the date of dispatch of the intimation of admission, the fee, security deposit and/or other monies paid by applicant shall be forfeited by the Exchange.

(16) (a) Every broker dealer of the Exchange shall, upon being admitted as a broker dealer of the Exchange be issued a certificate or such other documents as the Relevant Authority may deem fit as proof of having been admitted to the benefits and privileges of the broker dealership of the Exchange. The broker dealership of the Exchange shall not be transferable or transmittable except as herein mentioned.

(b) Subject to such terms and conditions as the Relevant Authority may prescribe from time to time and with the prior written approval of the Relevant Authority, transfer of the broker dealership of the Exchange, may be effected as follows:

i. by an amalgamation or merger of a broker dealer entity;

ii. by takeover of a broker dealer entity;

iii. by such other mode as may be permitted by the Relevant Authority.

(c) The Relevant Authority may permit the transfer of the broker dealership of the Exchange in the following circumstances:

i. Upon amalgamation or merger of a broker dealer;

ii. Upon takeover of a broker dealer;

iii. Upon any other circumstance(s) which may be permitted by the Relevant Authority.

(d) The Relevant Authority may, while permitting the transfer, prescribe from time to time such transfer fee as it deems fit in the following circumstances viz.,

i. amalgamation or merger of a broker dealer with a non broker dealer resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the broker dealer;

ii. takeover of the broker dealer entity by non broker dealer(s) entity resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the broker dealer;

**Explanation I**

For the purpose of sub-clauses (i) and (ii) above, the term "loss of majority shareholding" means a shareholder or a group of shareholders holding 51% or more shares / interest in the broker dealer entity ceases to hold 51% of shares / interest in the broker dealer or in the amalgamated company which shall take up broker dealership upon amalgamation of the broker dealer with a non broker dealer.

**Explanation II**

For the purpose of sub-clauses (i) and (ii) above, the term "loss of control in management" means the loss of the right to appoint majority of the directors or to control the management or policy decision exercisable by person or persons acting individually or in concert, directly or indirectly including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

(e) Without prejudice to any other provision of the Rules, the broker dealership may be suspended, for such period as the Relevant Authority may deem fit, in the following circumstances:

(i) Upon any deadlock in the management of a broker dealer entity, which, in the opinion of the Relevant Authority will affect the ability of such broker dealer to carry on its business. The broker dealer shall be entitled for an opportunity for representation before the Relevant Authority, before being suspended under this sub-clause, but the decision of the Relevant Authority shall be final.

**Explanation I**

For the purposes of this sub-clause, the term "deadlock in the management" means a situation wherein there is a loss of confidence or disagreement among the partners/ directors/ shareholders of a broker dealer, which, in the opinion of the Relevant Authority, will affect or is likely to affect the conduct of business by the broker dealer, as the case may be or an equality of vote at a meeting of the partners or directors or shareholders of a broker dealer or upon any other circumstance(s) as may be deemed fit by the Relevant Authority.

(f) Without prejudice to any other provision of the Rules, the broker dealership may be terminated by the Relevant Authority if an acceptable re-alignment, as the case may be, does not take place to the satisfaction of the Relevant Authority, within the said period of 6 (six) months.

(17) The broker dealer or such other persons, as the case may be, shall be entitled for an opportunity of representation before the Relevant Authority, before being terminated under clause (f) above, but the decision of the Relevant Authority shall be final.

(18) The Exchange shall, upon being admitting a broker dealer of the Exchange, issue a certificate or entitlement slip or such document as the Relevant Authority may deem fit as proof of admission to the benefits and privileges of the broker dealer of the Exchange. The title of broker dealership shall not be transferable, except as provided in these Rules, Byelaws and Securities Laws.

(19) A broker dealer shall not assign, mortgage, pledge, hypothecate or charge its right of broker dealership or any rights or privileges attached thereto and no such attempted assignment, mortgage, pledge, hypothecation or charge shall be effective as against the Exchange for any purpose, nor shall any right or interest in any broker dealership other than the personal right or interest of the broker dealer therein be recognised by the Exchange.

The Relevant Authority shall expel any broker dealer of the Exchange who acts or attempts to act in violation of the provisions of this Rule.

**Termination of membership**

(20) Any broker dealer may cease to be a member, if one or more apply:

(a) by expulsion in accordance with the provisions contained in the Bye Laws, Rules, Regulations and any other applicable laws;

(b) by being declared a defaulter in accordance with the Bye Laws, Rules and Regulations of the Exchange and any other applicable laws;

(c) by dissolution in case of limited liability partnership;

(d) by winding up of such broker dealer in case of company; and

(e) surrender of the broker dealership to the Exchange.

A broker dealer who for any reason ceases to be a broker dealer of the Exchange shall nevertheless remain liable for all such obligations including but not limited to outstanding dues that have arisen prior to its ceasing to be a broker dealership of the Exchange.

**Failure to pay charges**

(21) Save as otherwise provided in the Bye Laws, Rules and Regulations of the Exchange if a broker dealer fails to pay its annual subscription, fees, charges or other monies which may be due by it to the Exchange within such time as the Relevant Authority may prescribe from time to time after notice in writing has been served upon it by the Exchange, it may be suspended by the Relevant Authority until it makes payment and if within a further period of fifteen days it fails to make such payment, it may be expelled by the Relevant Authority.

**Continued admittance**

(22) The Relevant Authority shall from time to time prescribe conditions and requirements for continued admittance to broker dealership which may, inter alia, include maintenance of minimum net worth and capital adequacy, renewal of certification, if any, etc. The broker dealership of any person who fails to meet these requirements shall be liable for disciplinary action which may inter alia include termination/ cancellation/ suspension and or any other action as deemed fit by the Relevant Authority.

**Readmission of defaulters**

(23) A broker dealer's right of membership shall lapse and vest with the Exchange immediately as and when the broker dealer is declared a defaulter. The broker dealer which is declared a defaulter shall forfeit all its rights and privileges as a broker dealer of the Exchange, including any right to use of or any claim upon or any interest in any property or funds of the Exchange, if any.

(24) The Relevant Authority may re-admit a defaulter as a broker dealer subject to the provisions as may be prescribed by the Relevant Authority or Securities Laws from time to time.

(25) The Relevant Authority may re-admit only such defaulter which in its opinion:

(a) has paid up all dues to the Exchange, other broker dealers and Constituents;

(b) has no winding up proceedings against it in a Court/tribunal or has not been wound up by any Court/tribunal;

(c) has no insolvency proceedings admitted against it in a Court/tribunal or has not been declared insolvent by any Court/tribunal;

(d) has defaulted owing to the default of principals or Constituents whom it might have reasonably expected to be good for their commitments;

(e) has not been guilty of bad faith or breach of the Bye Laws, Rules and Regulations of the Exchange;

(f) has been irreproachable in its general conduct;

(g) meets all the eligibility criteria for admission as a new member.

**Foreign jurisdiction**

(26) Broker dealers desirous of undertaking cross-border business in capital markets in a foreign jurisdiction on behalf of their clients and/or from their proprietary account, shall be required to comply with all the guidelines, circulars, instructions issued by the Exchange or under Securities Laws or Regulator or Relevant Authority from time to time.

## V. DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION

**Disciplinary jurisdiction**

(1) The Relevant Authority may expel or suspend and/or fine under censure and/or warn and/or withdraw any of the broker dealership rights of a broker dealer if it be guilty of (a) contravention, non-compliance, disobedience, disregard or evasion of any of the Bye Laws, Rules and Regulations of the Exchange or of any resolutions, orders, circulars, notices, directions or decisions or rulings of the Exchange or the Relevant Authority or of any other Committee or officer of the Exchange authorised in that behalf or under the Securities Laws or at the instruction of Regulator; or (b) any conduct, proceeding or method of business which the Relevant Authority in its absolute discretion deems dishonourable, disgraceful or unbecoming a broker dealer of the Exchange or inconsistent with just and equitable principles of trade or detrimental to the interests, good name or welfare of the Exchange or prejudicial or subversive to its objects and purposes.

**Penalty for misconduct, unbusinesslike conduct and unprofessional conduct**

(2) In particular and without in any way limiting or prejudicing the generality of the provisions in Rule (1) above, a broker dealer shall be liable to expulsion or suspension or withdrawal of all or any of its broker dealership rights and/or to payment of a fine and / or to be censured, reprimanded or warned for any misconduct, unbusinesslike conduct or unprofessional conduct in the sense of the provision in that behalf contained herein.

**Misconduct**

(3) A broker dealer shall be deemed guilty of misconduct for any of the following or similar acts or omissions namely:

(a) Fraud: If it is convicted of a criminal offence or commits fraud or a fraudulent act which in the opinion of the Relevant Authority renders it unfit to be a broker dealer;

(b) Violation: If it has violated provisions of any statute governing the activities, business and operations of the Exchange, broker dealers and Exchange Products business in general;

(c) Improper conduct: If in the opinion of the Relevant Authority it is guilty of dishonourable or disgraceful or disorderly or improper conduct on the Exchange or of wilfully obstructing the business of the Exchange;

(d) Breach of Rules, Bye Laws and Regulations: If it shields or assists or omits to report any broker dealer whom it has known to have committed a breach or evasion of any Bye Laws, Rules and Regulation of the Exchange or of any resolution, order, circular, notice or direction thereunder of the Relevant Authority or of any Committee or officer or the Exchange authorised in that behalf;

(e) Failure to comply with resolutions: If it contravenes or refuses or fails to comply with or abide by any resolution, order, circular, notice, direction, decision or ruling of the Relevant Authority or other person authorised in that behalf under the Bye Laws, Rules and Regulations of the Exchange;

(f) Failure to submit to or abide by arbitration: If it neglects or fails or refuses to submit to arbitration or to abide by or carry out any award of the arbitrators made in connection with a reference under the Bye Laws, Rules and Regulations of the Exchange;

(g) Failure to testify or give information : If it neglects or fails or refuses to submit to the Relevant Authority or any person authorised in that behalf, such books, correspondence, documents and papers or any part thereof as may be required to be produced or to appeal and testify before or cause any of its attorneys, agents, authorised representatives or employees to appear and testify before the Relevant Authority or other person authorised in that behalf;

(h) Failure to submit special returns : If it neglects or fails or refuses to submit to the Relevant Authority within the time notified in that behalf special returns in such form as the Relevant Authority may from time to time prescribe together with such other information as the Relevant Authority may require whenever circumstances arise which in the opinion of the Relevant Authority make it desirable that such special returns or information should be furnished by any or all the broker dealers;

(i) Failure to submit audited accounts: If it neglects or fails or refuses to submit its audited accounts to the Exchange within such time as may be prescribed by the Relevant Authority from time to time.

(j) Failure to compare or submit accounts with Defaulter: If it neglects or fails to compare its accounts with the Defaulters' Committee or to submit to it a statement of its accounts with a defaulter or a certificate that it has no such account or if it makes a false or misleading statement therein;

(k) False or misleading returns: If it neglects or fails or refuses to submit or makes any false or misleading statement in its clearing forms or returns required to be submitted to the Exchange under the Bye Laws, Rules and Regulations;

(l) Vexatious complaints: If it or its agent brings before the Relevant Authority or other person authorised in that behalf a charge or complaint, complaint which in the opinion of the Relevant Authority or other person authorised in that behalf is frivolous, vexatious or malicious;

(m) Failure to pay dues and fees: If it fails to pay its subscription, fees, arbitration charges or any other money which may be due by it or any fine or penalty imposed on it.

**Unbusiness like conduct**

(4) A broker dealer shall be deemed guilty of unbusinesslike conduct for any of the following or similar acts or omissions namely:

i. Fictitious names: If it transacts its own business or the business of its Constituent in fictitious names;

ii. Fictitious dealings: If it makes a fictitious transaction or gives an order for the purchase or sale of Exchange Products the execution of which would involve no change of ownership or executes such an order with knowledge of its character;

iii. Circulation of rumours: If it, in any manner, circulates or causes to be circulated, any rumours;

iv. Prejudicial business: If it makes or assists in making or with such knowledge is a party to or assists in carrying out any plan or scheme for the making of any purchases or sales or offers of purchase or sale of Exchange Products for the purpose of upsetting the equilibrium of the market or bringing about a condition in which prices will not fairly reflect market values;

v. Market manipulation and rigging: If it, directly or indirectly, alone or with other persons, effects series of transactions in any security to create actual or apparent active trading in such security or raising or depressing the prices of such security for the purpose of inducing purchase or sale of such security by others;

vi. Unwarrantable business: If it engages in reckless or unwarrantable or unbusinesslike dealings in the market, or effects purchases or sales for its Constituent's account or for any account in which it is directly or indirectly interested, where such purchases or sales are excessive compared to its Constituent's or its own means and financial resources or the market for such security;

vii. Compromise: If it connives at a private failure of a broker dealer or accepts less than a full and bona fide money payment in settlement of a debt due by a broker dealer arising out of a transaction in Exchange Products;

viii. Dishonoured cheque: If it issues to any other broker dealer or to its Constituents a cheque which is dishonoured on presentation for whatever reasons;

ix. Failure to carry out transactions with Constituents: If it fails in the opinion of the Relevant Authority to carry out its committed transactions with its Constituents;

**Unprofessional conduct**

(5) A broker dealer shall be deemed guilty of unprofessional conduct for any of the following or similar acts or omissions namely:

(a) Business in Exchange Products in which dealings not permitted: If it enters into dealings in Exchange Products in which dealings are not permitted;

(b) Business for defaulting Constituent: If it deals or transacts business directly or indirectly or executes an order for a Constituent who has within its knowledge failed to carry out engagements relating to Exchange Products and is in default to another broker dealer unless such Constituent shall have made a satisfactory arrangement with the broker dealer who is its creditor;

(c) Business for insolvent: If without first obtaining the consent of the Relevant Authority it directly or indirectly is interested in or associated in business with or transacts any business with or for any individual who has been insolvent even though such individual shall have obtained its final discharge from an Insolvency Court;

(d) Business without permission when under suspension: If without the permission of the Relevant Authority it does business on its own account or on account of a principal with or through a broker dealer during the period it is required by the Relevant Authority to suspend business on the Exchange;

(e) Business for or with suspended, expelled and defaulter broker dealers: If without the special permission of the Relevant Authority it shares brokerage with or carries on business or makes any deal for or with any broker dealer who has been suspended, expelled or declared a defaulter;

(f) Business for employees of other broker dealers: If it transacts business directly or indirectly for or with or executes an order for an authorised representative or employee of another broker dealer without the written consent of such employing broker dealer;

(g) Business for Exchange employees: If it makes a speculative transaction in which an employee of the Exchange is directly or indirectly interested;

(h) Advertisement: If it advertises for business purposes or issues regularly circular or other business communications to persons other than its own Constituents, broker dealers of the Exchange, banks and joint stock companies or publishes pamphlets, circular or any other literature or report or information relating to the stock markets without the prior written permission of the Exchange or in contravention of the advertisement code prescribed by the Exchange;

(i) Evasion of margin requirements: If it willfully evades or attempts to evade or assists in evading the margin requirements prescribed in these Bye Laws and Regulations;

(j) Brokerage charge: If it wilfully deviates from or evades or attempts to evade the Bye Laws and Regulations relating to charging and sharing of brokerage.

(k) Dealings with entities prohibited to buy or sell or deal in Exchange Products market: If it deals, directly or indirectly, in the course of its business or transacts any business with or for any entity, which has been prohibited by the IFSCA to buy or sell or deal in the Exchange Products market.

**Broker dealer's responsibility for agents and employees**

(6) A broker dealer shall be fully responsible for the acts and omissions of its authorised officials, attorneys, agents, authorised representatives and employees and if any such act or omission be held by the Relevant Authority to be one which if committed or omitted by the broker dealer would subject it to any of the penalties as provided in the Bye Laws, Rules and Regulations of the Exchange then such broker dealer shall be liable therefore to the same penalty to the same extent as if such act or omission had been done or omitted by itself.

**Suspension on failure to provide deposit and/or capital adequacy requirements**

(7) The Relevant Authority shall require a broker dealer to suspend its business when it fails to provide the deposit and/or meet capital adequacy norms as provided in these Bye Laws, Rules and Regulations and the suspension of business shall continue until it furnishes the necessary deposit or meet capital adequacy requirements. The Relevant Authority may expel a broker dealer acting in contravention of this provision.

**Suspension of business :**

(8) The Relevant Authority may require a broker dealer to suspend its business in part or in whole:

(a) Prejudicial business: When in the opinion of the Relevant Authority, the broker dealer conducts business in a manner prejudicial to the Exchange by making purchases or sales of Exchange Products or offers to purchase or sell Exchange Products for the purpose of upsetting equilibrium of the market or bringing about a condition of demoralisation in which prices will not fairly reflect market values, or

(b) Unwarrantable business: When in the opinion of the Relevant Authority it engages in unwarrantable business, or effects purchases or sales for its Constituent's account or for any account in which it is directly or indirectly interested, where such purchases or sales are excessive compared to its Constituent's or its own means and financial resources or the market for such security, or

(c) Unsatisfactory financial condition: When in the opinion of the Relevant Authority it is in such financial condition that it cannot be permitted to do business with safety to its creditors or the Exchange.

**Removal of suspension**

(9) The suspension of business under Rule 8 above shall continue until the broker dealer has been allowed by the Relevant Authority to resume business on its paying such deposit or on its doing such act or providing such thing as the Relevant Authority may require.

**Penalty for contravention**

(10) A broker dealer who is required to suspend its business shall be expelled by the Relevant Authority if he acts in contravention of this provision.

**Broker dealers and others to testify and give information**

(11) A broker dealer shall appear and testify before and cause its attorneys, agents, authorised representatives and employees to appear and testify before the Relevant Authority and shall produce before the Relevant Authority, such books, correspondence, documents, papers and records or any part thereof which may be in its possession and which may be deemed relevant or material to any matter under inquiry or investigation.

**Permission necessary for legal representation**

(12) No person shall have the right to be represented by professional counsel, attorney, advocate or other representative in any investigation or hearing before the Relevant Authority unless the Relevant Authority so permits.

**Explanation before suspension or expulsion**

(13) A broker dealer shall be entitled to be summoned before the Relevant Authority and afforded an opportunity for explanation before being suspended or expelled but in all cases the findings of the Relevant Authority shall be final and conclusive.

**Temporary suspension**

(14) (a) Notwithstanding what is contained in Rule 13 herein above if in the opinion of the Relevant Authority it is necessary to do so, he may, for reasons to be recorded in writing, temporarily suspend a broker dealer, pending completion of the proceedings for suspension under this Chapter, and no notice of hearing shall be required for such temporary suspension and such temporary suspension shall have the same consequences of suspension under this Chapter.

(b) A notice to show cause shall be issued to the broker dealer within five working days of such temporary suspension.

(c) Any such temporary suspension may be revoked at the discretion of the Relevant Authority for reasons to be recorded in writing, Relevant Authority is satisfied that the circumstances leading to the formations of opinion of the Relevant Authority to effect temporary suspension, have ceased to exist or are satisfactorily resolved.

(d) A broker dealer aggrieved by the temporary suspension may appeal to such authority as may be specified, provided that such appeal shall not automatically suspend the temporary suspension unless otherwise directed by such authority.

**Effect of suspension of registration by the IFSCA**

(15) Notwithstanding anything contained in any of the Bye Laws, Rules and Regulations of the Exchange, if the registration of a broker dealer is suspended by the IFSCA, such broker dealer shall ipso facto stand suspended from the broker dealership of the Exchange for the period of suspension, so imposed by the IFSCA or till such suspension is in force.

**Imposition of penalties**

(16) The penalty of suspension, withdrawal of all or any of the membership rights, fine, censure or warning may be inflicted singly or conjointly by the Relevant Authority. The penalty of expulsion may be inflicted by the Relevant Authority.

**Pre-determination of penalties**

(17) The Relevant Authority shall have the power to pre-determine the penalties, the period of any suspension, the withdrawal of particular membership rights and the amount of any fine that would be imposed on contravention, non-compliance, disobedience, disregard or evasion of any Bye Laws, Rules or Regulation of the Exchange or of any resolution, order, notice, direction, decision or ruling thereunder of the Exchange, the Relevant Authority.

**Commutation**

(18) Subject to the provision of the Securities Laws, the Relevant Authority in its discretion may in any case suspend a broker dealer in lieu of the penalty of expulsion or may withdraw all or any of the membership rights or impose a fine in lieu of the penalty of suspension or expulsion and may direct that the guilty broker dealer be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.

**Reconsideration/Review**

(19) Subject to the provisions of the Securities Laws, the Relevant Authority may on its own motion or on appeal by the broker dealer concerned within ninety days from the date of communication of decision of the Relevant Authority to the broker dealer reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the broker dealership rights or fining, censuring or warning any broker dealer. In a like manner the Relevant Authority may rescind, revoke or modify its resolution expelling or suspending any broker dealer.

**Failure to pay fines and penalties**

(20) If a broker dealer fails to pay any fine or penalty imposed on it within such period as prescribed from time to time by the Relevant Authority after notice in writing has been served on it by the Exchange it may be suspended by the Relevant Authority until it makes payment and if within a further period as prescribed from time to time it fails to make such payment it may be expelled by the Relevant Authority.

**Consequence of suspension**

(21) The suspension of a broker dealer shall have the following consequences namely:

(a) Suspension of membership rights: The suspended broker dealer shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of broker dealership, but it may be proceeded against by the Relevant Authority for any offence committed by it either before or after its suspension and the Relevant Authority shall not be debarred from taking cognisance of and adjudicating on or dealing with any claim made against it by other broker dealers;

(b) Rights of creditors unimpaired: The suspension shall not affect the rights of the broker dealers who are creditors of the suspended broker dealer;

(c) Fulfillment of Contracts: The suspended broker dealer shall be bound to fulfill contracts outstanding at the time of its suspension;

(d) Further business prohibited: The suspended broker dealer shall not during the terms of its suspension make any trade or transact any business with or through a broker dealer provided that it may with the permission of the Relevant Authority close with or through a broker dealer the transactions outstanding at the time of its suspension;

(e) Broker dealers not to deal with suspended broker dealers: No broker dealer shall transact business for or with or share brokerage with a suspended broker dealer during the terms of its suspension except with the previous permission of the Relevant Authority.

**Consequences of expulsion**

(22) The expulsion of a broker dealer shall have the following consequences namely:

(a) Broker dealership rights forfeited: The expelled broker dealer shall forfeit to the Exchange its right of broker dealership and all rights and privileges as a broker dealer of the Exchange including any right to the use of or any claim upon or any interest in any property or funds of the Exchange but any liability of any such broker dealer to the Exchange or to any broker dealer of the Exchange shall continue and remain unaffected by its expulsion;

(b) Office vacated: The expulsion shall create a vacancy in any office or position held by the expelled broker dealer;

(c) Rights of creditors unimpaired: The expulsion shall not affect the rights of the broker dealers who are creditors of the expelled broker dealer;

(d) Fulfillment of contracts: The expelled broker dealer shall be bound to fulfill transactions outstanding at the time of its expulsion and it may with the permission of the Relevant Authority close such outstanding transactions with or through a broker dealer;

(e) Broker dealers not to deal: No broker dealer shall transact business for or with or share brokerage with the expelled broker dealer except with the previous permission of the Relevant Authority.

(f) Consequences of declaration of defaulter to follow: The provisions of Chapter XI and Chapter XII of the Bye Laws pertaining to default and investor protection fund respectively shall become applicable to the broker dealer expelled from the Exchange as if such broker dealer has been declared a defaulter.

**Expulsion rules to apply**

(23) When a broker dealer ceases to be such under the provisions of these Rules otherwise than by default or surrender of broker dealership it shall be as if such broker dealer has been expelled by the Relevant Authority and in that event all the provisions relating to expulsion contained in these Rules shall apply to such broker dealer in all respects.

**Suspension of business**

(24) (a) The Relevant Authority shall require a broker dealer to suspend its business when it fails to maintain or provide further security as prescribed in the Bye Laws and Regulations and the suspension shall continue until it pays the necessary amount by way of security.

(b) Penalty for Contravention: A broker dealer who is required to suspend its business under clause (a) shall be expelled by the Relevant Authority if it acts in contravention of the provisions of the Bye Laws, Rules and Regulations.

**Notice of Penalty and suspension of Business**

(25) Notice shall be given to the broker dealer concerned and to the broker dealers in general by a notice on the trading system of the Exchange of the expulsion or suspension or default of or of the suspension of business by a broker dealer or of any other penalty imposed on it or on its attorneys, agents, authorised representatives or other employees. The Relevant Authority may in its absolute discretion and in such manner as it deems fit notify or cause to be notified to the broker dealers of the Exchange or to the public that any person who is named in such notification has been expelled, suspended, penalised or declared a defaulter or has suspended its business or ceased to be a broker dealer. No action or other proceedings shall in any circumstances be maintainable by such person against the Exchange or the Relevant Authority or any officer or employee of the Exchange for the publication or circulation of such notification and the application for broker dealership or the application for registration as the constituted attorney or authorised representative or by the person concerned shall operate as license and the Bye Laws, Rules and Regulations shall operate as leave to print, publish or circulate such advertisement or notification and can pleaded accordingly.

(26) The Relevant authority for the purpose of this Chapter shall be the Member Selection Committee as may be constituted by the Board of Directors from time to time. The Composition of Member Selection Committee shall be such as may be prescribed by Relevant Authority

## VI. SPV

The provisions of this Chapter VI have been incorporated to provide for the activities and responsibilities of the SPV to whom these rules shall apply and in view of the regulatory dispensations granted by, among others, Monetary Authority of Singapore, SEBI and the IFSCA in favour of the Exchange and/or the SPV (hereinafter referred to as "Regulatory Dispensations") and shall apply only to the trades routed through the SPV. The provisions of other Chapters of these Rules not expressed to be applicable to the SPV shall be inapplicable; and where such Rules are expressed to be applicable, they shall apply to the SPV only to the extent consistent with the Regulatory Dispensations, Connect Regulations, Collaboration Agreement, Operational Agreement and such other principles and procedures agreed between the Exchange and the SPV; Provided however, that the SPV shall be bound to comply with such rules as have been agreed between the Exchange and the SPV to form a part of these Rules and/or issued by way of notification/circular by the Exchange to all broker dealers and also specifically applicable to the SPV.

(1) For the purpose of this Chapter, the capitalized terms not defined in this Chapter shall have the meanings as prescribed in the Bye Laws of the Exchange.

(2) The SPV shall be bound to comply with the following provisions inter-alia from the relevant chapters under the Bye Laws of the Exchange:

**a. Definitions:**

i. "Board" means Board of Directors of the Exchange.

ii. "Exchange" means the Stock Exchange(s) operated by NSEIX.

iii. "Committee" means the Committee of the Exchange formed in accordance with Chapter I of the Bye Laws.

iv. "IFSC" means International Financial Services Centre as defined under the Section 2(g) of International Financial Services Centres Authority Act, 2019.

v. "Regulations" unless the context indicates otherwise, includes business rules, code of conduct and such other regulations prescribed by the Relevant Authority from time to time for the operations of the Exchange and these shall be subject to the provisions of the Securities Laws.

vi. "Relevant Authority" means the Regulator, Board, Managing Director of the Exchange or such other person, committee and/or authority as specified by the Board from time to time as relevant for a specified purpose.

vii. "Regulator" includes Securities and Exchange Board of India ("SEBI") or International Financial Services Centres Authority ("IFSCA"), as may be applicable or any such appropriate authority having jurisdiction over the Exchange and broker dealers, from time to time.

viii. "Rules" unless the context indicates otherwise, means these rules for regulating the activities and responsibilities of broker dealers of the Exchange and as prescribed by the Relevant Authority from time to time for the constitution, organisation and functioning of the Exchange and these rules shall be subject to the provisions of the Securities Laws.

ix. "Securities" shall mean securities as permitted by IFSCA from time to time to be traded on a stock exchange in IFSC.

x. "Securities Laws" shall include Securities Contracts (Regulation) Act, 1956 and Rules and Regulations thereunder, International Financial Services Centres Authority Act, 2019, Securities and Exchange Board of India Act, 1992 and Rules, Regulations, directions or guidelines thereunder including the applicable circulars, notifications, directives, guidelines made or issued thereunder by Central Government or regulator or any other concerned authority to facilitate and regulate the financial products and / or financial services;

xi. "Broker dealer" means a person having trading rights in any recognised stock exchange and includes a "Trading Member" stockbroker and the member of the Exchange registered in accordance with Securities Laws, Chapter IV of the Bye Laws and for the purposes of this Chapter VI of the Rules shall mean and include the SPV.

**b. Committee**

i. Committee(s) shall be appointed by the Board for the purposes of managing and regulating the activities of SPV in such manner as laid down in the Rules.

ii. The Committee(s) of the Exchange shall have such responsibilities and powers as maybe delegated to it by the Board.

**c. Regulations**

The Relevant Authority may prescribe Connect Regulations from time to time for the functioning and operations of the SPV in the Exchange and to regulate the admission, functioning, operations of the SPV on the Exchange.

**d. Dealings in Securities**

**Admission of Securities to dealings**

i. Dealings are permitted on the Exchange in accordance with the provisions prescribed in the Bye Laws and Regulations in that behalf, in Securities which are, from time to time, listed or permitted to trade on the Exchange by the Relevant Authority.

ii. Admission of Securities to listing on the Exchange shall be in accordance with provisions prescribed in the Bye Laws and Regulations in that behalf.

iii. The Relevant Authority may admit from time to time Securities which are permitted to trade on the Exchange.

**Specific deals**

The Relevant Authority may permit specific deals to be made in the case of Securities of issuers not admitted to dealings on the Exchange, which for the time being are prohibited or suspended for dealings.

**Prohibited dealings**

The Relevant Authority may prohibit dealings on the Exchange in any Security or Securities for any cause.

**e. Broker dealers**

i. The Relevant Authority is empowered to admit SPV as a broker dealer in accordance with the Bye Laws, Rules and Regulations it may frame from time to time in accordance with the Securities Laws.

ii. The Relevant Authority may specify prerequisites, conditions, formats and procedures for application for admission, termination, re-admission, etc. of SPV as broker dealer to the Exchange from time to time.

iii. The SPV shall be required to ensure compliance with applicable law, as applicable to it from time to time, including in relation to the payment of membership fees, transaction fees, security deposit, or such other fees or charges and deposits as may be specified by the Exchange/Clearing Corporation of the Exchange. Further, the SPV, as an entity incorporated in GIFT IFSC, and as a member of the Exchange and the Clearing Corporation, will be subject to supervision and oversight of the Regulator, Exchange

and the Clearing Corporation including all relevant Bye Laws, Rules and Regulations of the Exchange and the Clearing Corporation, as applicable to it. The fees, security deposits, other monies and any additional deposits paid, whether in the form of cash, bank guarantee, Securities or otherwise, with the Exchange, shall be subject to a first and paramount lien for any sum due to the Exchange and all other claims against the SPV for due fulfilment of engagements, obligations and liabilities of SPV arising out of or incidental to any dealings made subject to the Bye Laws, Rules and Regulations of the Exchange. The Exchange shall be entitled to adjust or appropriate such fees, deposits and other monies for such dues and claims, to the exclusion of the other claims against the SPV, without any reference to the SPV.

**Conditions:**

SPV shall comply with such Exchange requirements as may be prescribed by the Relevant Authority from time to time in connection with their activities as broker dealers, including but not limited to the following:

i Furnishing such information and periodic returns pertaining to their operations as may be required by the Relevant Authority from time to time.

ii SPV shall furnish to the extent such audited and/or unaudited financial or quantitative information and statements as may be required by the Relevant Authority from time to time.

iii SPV shall extend full co-operation and furnish such information and explanation as may be required for the purpose of any inspection or audit authorised by the Relevant Authority or other authorised official of the Exchange into or in regard to any trades, dealings, their settlement, accounting and/or other related matters, subject to the Regulatory Dispensations, Collaboration Agreement and Operational Agreement.

**f. Dealings by SPV**

**i. Jurisdiction**

1 (a) Any deal entered into through automated trading system of the Exchange or any proposal for buying or selling or any acceptance of any such proposal for buying and selling shall be deemed to have been entered at the computerized processing unit of the Exchange at IFSC and the place of contracting as between the SPV and other broker dealers shall be at IFSC. The provisions of this Rule shall not object the jurisdiction of any court deciding any dispute as between broker dealers and their Constituents to which the Exchange is not a party.

(b) The record of the Exchange as maintained by a central processing unit or a cluster of processing units or computer processing units, whether maintained in any register, magnetic storage units, electronic storage optical storage units or computer storage units or in any other manner shall constitute the agreed and authentic record in relation to any transaction entered into through automated trading system. For the purposes of any dispute the record as maintained by the computer processing units by the Exchange shall constitute valid evidence in any dispute or claim between the Constituents and the SPV or between the SPV and other broker dealers of the Exchange inter-se.

**ii. Indemnity**

The Exchange shall not be liable for any unauthorized dealings on the Exchange by any persons acting in the name of SPV.

**iii. All dealings subject to Bye Laws, Rules and Regulations**

All dealings in Securities on the Exchange shall be deemed to be made subject to the Bye Laws, Rules and Regulations of the Exchange and this shall be a part of the terms and conditions of all such deals and the deals shall be subject to the exercise by the Relevant Authority of the powers with respect thereto vested in it by the Bye Laws, Rules and Regulations of the Exchange.

**iv. Restriction on SPV**

Unless the Exchange otherwise specifies, SPV shall not become a Constituent of another broker dealer. In such cases, the Exchange and/or Clearing Corporation of the Exchange may restrict the trading activity of the SPV with reasonable cause and with fourteen days prior notice (save where a shorter time period is required under a relevant regulatory requirement).

**v. Trade annulment:**

All the dealings in Securities on the Exchange shall be inviolable and any proposal or request to annul a trade undertaken by the SPV shall be considered in accordance with the Bye Laws, Rules and Regulations of the Exchange as applicable to the SPV or any other circulars/notifications as may be issued in this regard by the Relevant Authority from time to time, regarding the trade annulment. Notwithstanding the above, the Exchange may, in order to protect the interests of the investors in Securities or and for proper regulation of the securities market, Suo moto annul the trades undertaken by the SPV at any time in line with the process and procedure envisaged in applicable Bye Laws, Rules and Regulations.

**g. Transactions and Settlements**

**Business hours**

i. The business hours for dealing in the Exchange Securities on the Exchange shall be during such time as may be decided by the Relevant Authority from time to time. The Relevant Authority may, from time to time, specify business hours for different types of deals.

ii. The Relevant Authority may declare a list of holidays in a calendar year. The Relevant Authority may from time to time alter or cancel any of the Exchange holidays fixed in accordance with these provisions. It may, for reasons to be recorded, close the market on days other than or in addition to holidays.

**Operational parameters for trading**

iii. The Relevant Authority may determine and announce from time-to-time operational parameters regarding dealing of Securities on the Exchange which SPV shall adhere to.

**Clearing and settlement through a recognized Clearing Corporation**

The trades executed on the Exchange, as specified by the Relevant Authority, may be cleared and settled through the recognized Clearing Corporation and in such manner as provided in the Operational Agreement. In such an eventuality, the clearing and settlement of such trades on the recognised Clearing Corporation in IFSC shall be subject to the relevant Bye Laws of the recognized Clearing Corporation, and in such manner as provided in the Operational Agreement. In case of a conflict between the Bye Laws, Rules, Regulations and Circulars issued thereunder by the Exchange and the Bye Laws, Rules and Regulations and Circulars issued thereunder by the Clearing Corporation in so far as the clearing and settlement is concerned, the relevant Bye Laws issued thereunder of the Clearing Corporation shall prevail.

**h. Rights and Liabilities of Members and Constituents**

**All Contracts subject to Bye Laws, Rules and Regulations**

All contracts relating to dealings permitted on the Exchange made by a SPV shall in all cases be deemed made subject to the Bye Laws, Rules and Regulations of the Exchange. This shall be a part of the terms and conditions of all such contracts including agreement/s entered into by the SPV and shall be subject to the exercise by the Relevant Authority of the powers with respect thereto vested in it by the Bye Laws, Rules and Regulations of the Exchange.

(3) The Relevant Authority may expel or suspend and / or penalize / fine under censure and/or warn and / or withdraw any of the membership rights of SPV if it be guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the Bye Laws, Rules and Regulations of the Exchange or of any resolutions, orders, circulars, notices, directions or decisions or rulings of the Exchange or the Relevant Authority or of any other Committee or officer of the Exchange authorised in that behalf.

**For and on behalf of NSE IFSC Limited**

**Chandan Dubey**
Chief Legal Officer



Signature Not Verified
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